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STATEMENT OF AT&T CONNECTICUT

Regarding Raised House Bill No. 6458
AN ACT CONCERNING PERIODIC REVIEW OF VIDEO PROVIDERS
Before the Committee on Energy and Technology
March 3, 2011

Proposal:
Raised House Bill No. 6458 would require biennial performance reviews by cable companies and certified video providers.

Comments:
AT&T respectfully opposes Raised House Bill No. 6458 as unnecessary in today's highly competitive video market.

In 2007, the Connecticut General Assembly opened up Connecticut's video market to long sought-after competition by establishing a new licensing process for new providers and, in recognition of the competitive environment it was creating, eliminated franchise renewal requirements for existing cable companies when a new provider started offering service within a franchise area.

The rules which were created for new providers and existing providers alike were based on Connecticut's existing consumer-friendly cable television laws and included protections including, but not limited to: prohibitions against red-lining in the provisions of service; support for local community access programming and programmers; the establishment of video advisory councils to represent the interests of subscribers; significant on-going disclosure of rates, terms and conditions; privacy protections for customers; an informal dispute resolution process for customer complaints; application of federal customer service standards; notice of rate and programming changes; credits for outages; carriage of emergency alerts; free service for schools and libraries where the service is available; and most importantly broad DPUC authority to enforce the terms of this law. Put simply, the law today contains abundant protections for consumers and authority to the DPUC to enforce those protections; as a result, additional requirements are not necessary.

The requirements contemplated in the raised bill are in many respects more onerous than the franchise renewal process which existed prior to the introduction of competition in late 2007. The scope of these reviews as contemplated by this bill is broad and offers a virtual "fishing expedition" to parties. And, while under past law the DPUC typically renewed franchises every 8-12 years and conducted proceedings accordingly, this legislation would call for reviews every other year.

In a competitive marketplace like that found in Connecticut, video providers face the ultimate "performance review" every day with their customers. We either provide quality service at the level and price the customer wants or the customer will take their business elsewhere.

AT&T has received few complaints about its service. In fact, in the last three years in the market AT&T has received only 206 complaints from the DPUC, Office of the Attorney General, and Department of Consumer Protection regarding its video service. That is a minor fraction of the customers the company has in the state and an extremely small percentage when one considers all of the interactions it has with all potential and actual customers.

The provisions in this bill would not apply to all providers even though some of them have far larger market share than other providers; specifically satellite providers would be exempt from this bill's provisions while AT&T, a much smaller provider in terms of customers, would be subject to these reviews. In addition, the rules contemplated in this legislation would apply equally to cable companies who have dominant market share as well as all new entrants. Connecticut has historically not sought to overburden new providers in the market, since those burdens act as a disincentive to invest in the state and are more of a burden on a smaller provider than they are on a larger one.

A growing portion of consumers are receiving their video programming from providers not subject to this legislation or to any state rules and regulatory requirements. Over the top video providers like NetFlix and Hulu for example stream video programming over broadband lines directly to consumers and the use of such streaming services is growing rapidly. NetFlix reported recently that it added 7.7 million new users in 2010; at peak times nearly 20 percent of all Internet traffic is related to streaming by NetFlix users. A recent report from eMarketer showed that 58.9 percent of Internet users watched some TV on-line and 77 percent are expected to do so in 2011.

Connecticut's already highly competitive video market will only become more so in future years as competitors enhance the scope and scale of their offerings and new technologies deliver new ways for consumers to watch video. Yet this legislation would mandate an onerous and expensive review process on a handful of providers that would continue forever and in the face of data which shows providers are performing at or above consumers' expectations.

Conclusion:

AT&T opposes Raised House Bill No. 6458. The legislation is both inappropriate and unnecessary in today's highly competitive video services market where consumers have a multitude of choices open to them.